

City of Plainwell
Allegan County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended June 30, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

03-7050

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Plainwell	County Allegan
Audit Date 6/30/04	Opinion Date 12/3/04	Date Accountant Report Submitted to State: 12/23/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Siegfried Crandall PC			
Street Address 246 East Kilgore Road	City Kalamazoo	State MI	ZIP 49002-5599
Accountant Signature <i>Siegfried Crandall P.C.</i>		Date 12/23/04	

CONTENTS

Page

INDEPENDENT AUDITORS' REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

i - vii

BASIC FINANCIAL STATEMENTS:

Government-wide financial statements:

Statement of net assets

4

Statement of activities

5

Fund financial statements:

Balance sheet - Governmental funds

6

Statement of revenues, expenditures, and changes in fund balances -
Governmental funds

7

Statement of net assets - Proprietary funds

8

Statement of revenues, expenses and changes in fund net assets -
Proprietary funds

9

Statement of cash flows - Proprietary funds

10

Statement of fiduciary net assets - Agency fund

11

Notes to financial statements

12 - 22

REQUIRED SUPPLEMENTARY INFORMATION:

Budgetary comparison schedules:

General Fund

23 - 24

Major Street Fund

25

SUPPLEMENTARY INFORMATION:

Combining balance sheet - Nonmajor governmental funds

26

Combining statement of revenues, expenditures and changes
in fund balances - Nonmajor governmental funds

27

OTHER SUPPLEMENTARY DATA:

Schedule of bond retirement and annual interest requirements

28

INDEPENDENT AUDITORS' REPORT

City Council
City of Plainwell, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of the City of Plainwell, Michigan (the City), as of June 30, 2004, and for the year then ended, which collectively comprise the City of Plainwell, Michigan's basic financial statements, as listed in the contents. These financial statements are the responsibility of the City of Plainwell, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of the City of Plainwell, Michigan, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 11, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of July 1, 2003.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City of Plainwell, Michigan's basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Plainwell, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Siegfried Crandall P.C.

December 3, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Plainwell's (the City) financial performance provides a narrative overview of the City's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the City's financial statements.

Financial Highlights

- The City's total net assets increased by \$236,929 (2 percent) as a result of this year's activities. Net assets of the governmental activities increased by \$168,570, and net assets of the business-type activities increased by \$68,359.
- Of the \$10,212,400 total net assets reported, \$3,196,810 (31 percent) is available to be used to meet future operating and capital improvement needs.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$719,624 which represents 46 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the Financial Statements

The City's basic financial statements are comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City, reporting the City's operations in more detail than the government-wide financial statements.
 - Governmental fund statements tell how general government services, like public safety, were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems.
 - Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Because this is the first year of this reporting format, a comparative analysis of the basic financial statements was not practicable. Comparative analyses of the basic financial statements will be made in subsequent year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Government-wide Financial Statements

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets (the difference between the City's assets and liabilities) is one way to measure the City's financial health, or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, you need to consider additional nonfinancial factors such as changes in the City's property tax base and the condition of the City's capital assets.

The government-wide financial statements are divided into three categories:

- *Governmental activities* - Most of the City's basic services are included here, such as the police, fire, library, and general government. Property taxes and state grants finance most of these activities.
- *Business-type activities* - The City charges fees to customers to help it cover the costs of certain services it provides. The City's sewer and water systems are reported here.
- *Component units* - The City includes another entity in its report - the Plainwell Tax Increment Finance Authority. Although legally separate, this "component unit" is important because the City is financially accountable for it.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The City Council establishes other funds to control and manage money for particular purposes (like the Capital Reserve and Capital Improvement funds) or to show that it is properly using certain taxes and other revenues (like property taxes collected for Solid Waste and motor fuel taxes collected for the street funds).

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The City has three kinds of funds:

1. *Governmental funds.* Most of the City's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out and, (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship between them.
2. *Proprietary funds.* Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-and short-term financial information.
 - In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
 - The City uses an internal service fund (the other type of proprietary fund) to report activities that provide services for the City's other programs and activities. The City's internal service fund is its Equipment Fund that manages the City's fleet of vehicles and equipment.
3. *Fiduciary funds.* These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The City's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Financial Analysis of the Government as a Whole

Net Assets

Total net assets at the end of the fiscal year were \$10,212,400, an increase of 2 percent compared to the prior year. Of this total, \$6,357,744 is invested in capital assets and \$657,846 is restricted for various purposes. Consequently, unrestricted net assets were \$3,196,810, or 31 percent of the total.

Condensed financial information
Net Assets

	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
Current assets	\$2,607,675	\$1,556,216	\$ 4,163,891
Noncurrent assets	<u>1,641,008</u>	<u>5,951,736</u>	<u>7,592,744</u>
Total assets	<u>4,248,683</u>	<u>7,507,952</u>	<u>11,756,635</u>
Current liabilities	103,960	176,371	280,331
Noncurrent liabilities	<u>93,904</u>	<u>1,170,000</u>	<u>1,263,904</u>
Total liabilities	<u>197,864</u>	<u>1,346,371</u>	<u>1,544,235</u>
Net assets			
Invested in capital assets, net of related debt	1,641,008	4,716,736	6,357,744
Restricted	657,846	-	657,846
Unrestricted	<u>1,751,965</u>	<u>1,444,845</u>	<u>3,196,810</u>
Total net assets	<u>\$4,050,819</u>	<u>\$6,161,581</u>	<u>\$10,212,400</u>

Changes in net assets

The City's total revenues were \$3,817,858. Nearly 40 percent of the City's revenues come from utility charges and another 36 percent come from property taxes.

The total cost of all the City's programs, covering a wide range of services, totaled \$3,580,929. More than 38 percent of the City's costs relate to the provision of utility services. Public safety costs account for 27 percent of the costs and public works costs account for 18 percent of the City's total costs.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*Condensed financial information
Changes in Net Assets*

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
Program revenues			
Charges for services	\$ 78,864	\$1,399,639	\$1,478,503
Operating grants and contributions	358,602	-	358,602
Capital grants and contributions	-	66,610	66,610
General revenues			
Property taxes	1,367,581	-	1,367,581
State grants	436,034	-	436,034
Unrestricted investment earnings	31,702	17,589	49,291
Other	65,256	-	65,256
Special item - loss on disposal of capital assets	(16,998)	-	(16,998)
Transfers	<u>62,830</u>	<u>(49,851)</u>	<u>12,979</u>
Total revenues	<u>2,383,871</u>	<u>1,433,987</u>	<u>3,817,858</u>
Expenses			
Legislative	9,150	-	9,150
General government	382,944	-	382,944
Public safety	977,877	-	977,877
Public works	627,279	-	627,279
Community and economic development	19,236	-	19,236
Culture and recreation	197,678	-	197,678
Interest	1,137	-	1,137
Sewer	-	913,453	913,453
Water	-	400,980	400,980
Airport	<u>-</u>	<u>51,195</u>	<u>51,195</u>
Total expenses	<u>2,215,301</u>	<u>1,365,628</u>	<u>3,580,929</u>
Increase in net assets	<u>\$ 168,570</u>	<u>\$ 68,359</u>	<u>\$ 236,929</u>

Governmental activities

Governmental activities increased the City's net assets by \$168,570. Key factors for this increase include:

- Limited spending in both general and capital expenditures.
- Savings realized from personnel reductions.

The cost of all governmental activities this year was \$2,215,301. After subtracting the direct charges to those who directly benefited from the programs (\$78,864), and operating grants and contributions (\$358,602), the "public benefit" portion covered by taxes, state revenue sharing and other general revenues was \$1,777,835.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Business-type activities

Business-type activities increased the City's net assets by \$68,359. Key factors of this increase include:

- Modest increases in both sewer and water fees offset operational cost increases.
- Increase in airport fuel sales.
- Savings realized from personnel reductions.
- Limited spending in both general and capital expenditures.

Financial Analysis of the City's Funds

Governmental funds

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,182,863, an increase of \$297,976 in comparison with the prior year. The total fund balances are unreserved and therefore available for spending at the City's discretion. A portion of the City's governmental fund balances, in the amount of \$805,393, have been designated for future capital purchases.

The General Fund is the chief operating fund of the City. At the end of the fiscal year, unreserved fund balance was \$719,624, which represents 46 percent of the actual total General Fund expenditures for the current fiscal year. The fund balance increased by \$187,711 during the fiscal year primarily due to expenditure decreases and personnel reductions.

The Major Street Fund experienced a decrease in fund balance of \$65,006 during the fiscal year primarily due to capital project expenditures.

Proprietary funds

The Sewer Fund experienced an increase in net assets of \$63,860 due to expenditure reductions and user rate increases. Net assets are \$3,832,332 at year-end.

The Water Fund experienced an increase in net assets of \$9,370 due to expenditure reductions and user rate increases. Net assets are \$2,226,964 at year-end.

General Fund Budgetary Highlights

Actual expenditures were \$66,899 less than budgeted. The difference between the actual and budgeted amounts can be attributed to conservative revenue estimates, personnel expenditures, and general expenditure decisions made throughout the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Capital Assets and Debt Administration

Capital Assets - The City's investment in capital assets for its governmental and business-type activities as of June 30, 2004, amounts to \$7,592,744 (net of accumulated depreciation). This investment includes a broad range of assets including land, buildings, police and fire equipment, and sewer and water facilities. The decrease in the City's net investment in capital assets for the current fiscal year was \$26,834. The net investment in capital assets was decreased by \$115,684 by governmental activities and increased by business-type activities by \$88,847.

Major capital asset events during the current fiscal year included the following:

- Purchase of two police cars for \$44,931.
- The Sewer Fund incurred costs, in the amount of \$382,909, related to engineering and minimal contract costs for the design phase of the Digester.

More detailed information about the City's capital assets is presented in Note 5 of the notes to the basic financial statements.

Long-Term Debt - At the end of the fiscal year, the City had bonds payable outstanding in the amount of \$1,235,000 which represents a decrease of \$115,000 or 9 percent. These bonds are secured solely by specific revenue sources (i.e., revenue bonds).

During the year ended June 30, 2004, the City decreased its long-term debt through the retirement of its 1997 general obligation bonds.

Other long-term debt obligations totaling \$93,904 represent accrued compensated absences.

More detailed information about the City's long-term liabilities is presented in Note 6 of the notes to the basic financial statements.

Economic Condition and Outlook

The City's General Fund budget for the next year projects include significant capital expenditures that include computer hardware and software improvements. However, even with capital expenditures included, revenue is expected to exceed expenditures.

The City's enterprise operations will realize large capital expenditures, specifically in the Sewer Fund. The Sewer Fund capital project will span two fiscal years with funding coming from fund balance. By using cash, the City will not need to borrow funds which will result in a savings in financing costs. If capital costs are considered separate, revenue is expected to exceed day to day expenditures.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to Karen Koehn, City Treasurer/Finance Director, 141 North Main Street, Plainwell, Michigan 49080.

BASIC FINANCIAL STATEMENTS

City of Plainwell
STATEMENT OF NET ASSETS
June 30, 2004

	Primary Government			
	Governmental Activities	Business-type Activities	Totals	Component Unit
ASSETS				
Current assets:				
Cash	\$ 2,379,359	\$ 1,447,889	\$ 3,827,248	\$ 221,218
Receivables (net)	222,452	114,191	336,643	700
Internal balances	5,864	(5,864)	-	-
<i>Total current assets</i>	2,607,675	1,556,216	4,163,891	221,918
Noncurrent assets:				
Capital assets (net of depreciation)	1,641,008	5,951,736	7,592,744	-
<i>Total assets</i>	4,248,683	7,507,952	11,756,635	221,918
LIABILITIES				
Current liabilities:				
Accounts payable	85,685	85,188	170,873	1,233
Accrued expenses	18,275	26,183	44,458	-
Bonds payable	-	65,000	65,000	-
<i>Total current liabilities</i>	103,960	176,371	280,331	1,233
Noncurrent liabilities:				
Compensated absences	93,904	-	93,904	-
Bonds payable	-	1,170,000	1,170,000	-
<i>Total noncurrent liabilities</i>	93,904	1,170,000	1,263,904	-
<i>Total liabilities</i>	197,864	1,346,371	1,544,235	1,233
NET ASSETS				
Invested in capital assets, net of related debt	1,641,008	4,716,736	6,357,744	-
Restricted for:				
Street repairs and maintenance	563,865	-	563,865	-
Solid waste costs	93,981	-	93,981	-
Unrestricted	1,751,965	1,444,845	3,196,810	220,685
<i>Total net assets</i>	\$ 4,050,819	\$ 6,161,581	\$ 10,212,400	\$ 220,685

See notes to the financial statements

City of Plainwell
STATEMENT OF ACTIVITIES
Year ended June 30, 2004

Functions/Programs	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Primary government:				
<i>Governmental activities:</i>				
Legislative	\$ 9,150	\$ -	\$ -	\$ -
General government	382,944	-	-	-
Public safety	977,877	78,864	279,684	-
Public works	627,279	-	78,918	-
Community and economic development	19,236	-	-	-
Culture and recreation	197,678	-	-	-
Interest on long-term debt	1,137	-	-	-
<i>Total governmental activities</i>	<u>2,215,301</u>	<u>78,864</u>	<u>358,602</u>	<u>-</u>
<i>Business-type activities:</i>				
Sewer	913,453	955,738	-	39,966
Water	400,980	390,741	-	26,644
Airport	51,195	53,160	-	-
<i>Total business-type activities</i>	<u>1,365,628</u>	<u>1,399,639</u>	<u>-</u>	<u>66,610</u>
Total primary government	<u>\$ 3,580,929</u>	<u>\$ 1,478,503</u>	<u>\$ 358,602</u>	<u>\$ 66,610</u>
Component unit:				
<i>Tax Increment Finance Authority</i>	<u>\$ 221,194</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
Property taxes
State shared revenues
Unrestricted investment income
Franchise fees
Miscellaneous
Special item - loss on disposal of capital assets
Transfers

Total general revenues, special items, and transfers

Change in net assets

Net assets - beginning of year

Net assets - end of year

**Net (expense) revenues and
changes in net assets**

Primary government

<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>	<u>Component unit</u>
\$ (9,150)		\$ (9,150)	
(382,944)		(382,944)	
(619,329)		(619,329)	
(548,361)		(548,361)	
(19,236)		(19,236)	
(197,678)		(197,678)	
<u>(1,137)</u>		<u>(1,137)</u>	
<u>(1,777,835)</u>		<u>(1,777,835)</u>	
-	\$ 82,251	82,251	
-	16,405	16,405	
-	<u>1,965</u>	<u>1,965</u>	
-	100,621	100,621	
<u>(1,777,835)</u>	<u>100,621</u>	<u>(1,677,214)</u>	
			\$ (221,194)
1,367,581	-	1,367,581	-
436,034	-	436,034	-
31,702	17,589	49,291	3,959
26,299	-	26,299	-
38,957	-	38,957	1,220
(16,998)	-	(16,998)	-
<u>62,830</u>	<u>(49,851)</u>	<u>12,979</u>	<u>(12,979)</u>
<u>1,946,405</u>	<u>(32,262)</u>	<u>1,914,143</u>	<u>(7,800)</u>
168,570	68,359	236,929	(228,994)
<u>3,882,249</u>	<u>6,093,222</u>	<u>9,975,471</u>	<u>449,679</u>
<u>\$ 4,050,819</u>	<u>\$ 6,161,581</u>	<u>\$ 10,212,400</u>	<u>\$ 220,685</u>

See notes to the financial statements

City of Plainwell
BALANCE SHEET - Governmental Funds
June 30, 2004

	<u>General</u>	<u>Major Street</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
ASSETS				
Cash	\$ 590,712	\$ 442,349	\$ 1,024,517	\$ 2,057,578
Receivables (net)	176,659	33,359	12,434	222,452
Due from other funds	11,842	-	-	11,842
<i>Total assets</i>	<u>\$ 779,213</u>	<u>\$ 475,708</u>	<u>\$ 1,036,951</u>	<u>\$ 2,291,872</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 43,113	\$ 17,031	\$ 20,547	\$ 80,691
Accrued liabilities	14,789	-	-	14,789
Due to other governmental units	1,687	-	-	1,687
Due to other funds	-	-	11,842	11,842
<i>Total liabilities</i>	<u>59,589</u>	<u>17,031</u>	<u>32,389</u>	<u>109,009</u>
Fund balances unreserved:				
Designated for capital acquisitions	-	-	805,393	805,393
Undesignated	719,624	458,677	199,169	1,377,470
<i>Total fund balances</i>	<u>719,624</u>	<u>458,677</u>	<u>1,004,562</u>	<u>2,182,863</u>
<i>Total liabilities and fund balances</i>	<u>\$ 779,213</u>	<u>\$ 475,708</u>	<u>\$ 1,036,951</u>	

*Amounts reported for governmental activities in the
statement of net assets are different because:*

Capital assets used in governmental activities are not
financial resources and therefore are not reported in
the funds.

1,641,008

Some liabilities are not due and payable in the current
period and therefore are not reported in the funds.

(93,904)

The assets and liabilities of the internal service fund
are included in the governmental activities in the
statement of net assets.

320,852

Net assets of governmental activities

\$ 4,050,819

See notes to the financial statements

City of Plainwell

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - Governmental Funds

Year ended June 30, 2004

	General	Major Street	Nonmajor governmental funds	Total governmental funds
REVENUES				
Property taxes	\$ 1,058,849	\$ -	\$ 308,732	\$ 1,367,581
Licenses and permits	40,364	-	-	40,364
Federal grants	10,040	-	-	10,040
State grants	436,034	196,484	73,160	705,678
Intergovernmental	54,273	10,359	68,559	133,191
Fines and forfeitures	10,526	-	-	10,526
Interest and rentals	9,961	6,304	10,980	27,245
Other	19,614	6,234	13,113	38,961
Total revenues	1,639,661	219,381	474,544	2,333,586
EXPENDITURES				
Legislative	9,150	-	-	9,150
General government	349,269	-	402	349,671
Public safety	915,094	-	-	915,094
Public works	97,850	238,642	260,826	597,318
Community and economic development	19,236	-	-	19,236
Culture and recreation	145,721	-	-	145,721
Debt service:				
Principal	-	-	50,000	50,000
Interest and fiscal charges	-	-	1,137	1,137
Capital outlay	11,635	-	5,661	17,296
Total expenditures	1,547,955	238,642	318,026	2,104,623
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	91,706	(19,261)	156,518	228,963
OTHER FINANCING SOURCES (USES)				
Transfer in - Component Unit	12,979	-	-	12,979
Transfers in - Other funds	83,026	-	40,000	123,026
Transfers out - Other funds	-	(45,745)	(21,247)	(66,992)
Total other financing sources (uses)	96,005	(45,745)	18,753	69,013
NET CHANGE IN FUND BALANCES	187,711	(65,006)	175,271	297,976
FUND BALANCES - BEGINNING OF YEAR	531,913	523,683	829,291	1,884,887
FUND BALANCES - END OF YEAR	\$ 719,624	\$ 458,677	\$ 1,004,562	\$ 2,182,863

Net change in fund balances - total governmental funds \$ 297,976

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. (106,308)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 50,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (1,625)

The net expenses of the internal service fund are reported with governmental activities. (71,473)

Change in net assets of governmental activities \$ 168,570

See notes to the financial statements

City of Plainwell
STATEMENT OF NET ASSETS - Proprietary Funds
June 30, 2004

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental Activities</u>
	<u>Major</u>		<u>Nonmajor</u>		<u>Internal Service</u>
	<u>Sewer</u>	<u>Water</u>	<u>Airport</u>	<u>Totals</u>	
ASSETS					
Current assets:					
Cash and investments	\$ 952,139	\$ 470,592	\$ 25,158	\$ 1,447,889	\$ 321,781
Receivables (net)	<u>82,667</u>	<u>30,413</u>	<u>1,111</u>	<u>114,191</u>	<u>-</u>
<i>Total current assets</i>	<u>1,034,806</u>	<u>501,005</u>	<u>26,269</u>	<u>1,562,080</u>	<u>321,781</u>
Noncurrent assets:					
Capital assets:					
Land	400	17,346	30,450	48,196	-
Distribution and collection systems	1,283,935	3,256,152	-	4,540,087	-
Buildings and equipment	5,922,043	1,079,535	152,974	7,154,552	836,586
Less accumulated depreciation	<u>(4,327,252)</u>	<u>(1,366,185)</u>	<u>(97,662)</u>	<u>(5,791,099)</u>	<u>(655,581)</u>
<i>Total noncurrent assets</i>	<u>2,879,126</u>	<u>2,986,848</u>	<u>85,762</u>	<u>5,951,736</u>	<u>181,005</u>
<i>Total assets</i>	<u>3,913,932</u>	<u>3,487,853</u>	<u>112,031</u>	<u>7,513,816</u>	<u>502,786</u>
LIABILITIES					
Current liabilities:					
Accounts payable	71,329	9,977	3,882	85,188	3,307
Accrued liabilities	10,271	15,912	-	26,183	3,486
Bonds payable - current	<u>-</u>	<u>65,000</u>	<u>-</u>	<u>65,000</u>	<u>-</u>
<i>Total current liabilities</i>	<u>81,600</u>	<u>90,889</u>	<u>3,882</u>	<u>176,371</u>	<u>6,793</u>
Noncurrent liabilities:					
Bonds payable	<u>-</u>	<u>1,170,000</u>	<u>-</u>	<u>1,170,000</u>	<u>-</u>
<i>Total liabilities</i>	<u>81,600</u>	<u>1,260,889</u>	<u>3,882</u>	<u>1,346,371</u>	<u>6,793</u>
NET ASSETS					
Invested in capital assets, net of related debt	2,879,126	1,751,848	85,762	4,716,736	181,005
Unrestricted	<u>953,206</u>	<u>475,116</u>	<u>22,387</u>	<u>1,450,709</u>	<u>314,988</u>
<i>Total net assets</i>	<u>\$3,832,332</u>	<u>\$2,226,964</u>	<u>\$ 108,149</u>	<u>6,167,445</u>	<u>\$ 495,993</u>
<i>Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.</i>				<u>(5,864)</u>	
Net assets of business-type activities				\$6,161,581	

See notes to the financial statements

City of Plainwell

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - *Proprietary Funds*

Year ended June 30, 2004

	<i>Business-type Activities - Enterprise Funds</i>				<i>Governmental Activities</i>
	<i>Major</i>		<i>Nonmajor</i>	<i>Totals</i>	<i>Internal Service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Airport</i>		
OPERATING REVENUES					
Charges for services	\$ 944,175	\$ 358,301	\$ 23,111	\$1,325,587	\$ 159,372
Other	11,563	32,440	30,049	74,052	-
<i>Total operating revenues</i>	<u>955,738</u>	<u>390,741</u>	<u>53,160</u>	<u>1,399,639</u>	<u>159,372</u>
OPERATING EXPENSES					
Administration	181,883	82,383	43,810	308,076	-
Treatment	388,392	78,392	-	466,784	-
Collection	78,867	95,555	-	174,422	-
Costs of interfund services	-	-	-	-	163,675
Depreciation	258,447	112,556	7,385	378,388	54,306
<i>Total operating expenses</i>	<u>907,589</u>	<u>368,886</u>	<u>51,195</u>	<u>1,327,670</u>	<u>217,981</u>
OPERATING INCOME (LOSS)	<u>48,149</u>	<u>21,855</u>	<u>1,965</u>	<u>71,969</u>	<u>(58,609)</u>
NONOPERATING REVENUES (EXPENSES)					
Interest revenue	12,182	5,129	278	17,589	4,457
Interest expense	-	(32,094)	-	(32,094)	-
Loss on disposal of capital assets	-	-	-	-	(17,002)
<i>Total nonoperating revenues (expenses)</i>	<u>12,182</u>	<u>(26,965)</u>	<u>278</u>	<u>(14,505)</u>	<u>(12,545)</u>
OPERATING INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	60,331	(5,110)	2,243	57,464	(71,154)
CAPITAL CONTRIBUTIONS FROM COMPONENT UNIT	39,966	26,644	-	66,610	-
TRANSFERS OUT	<u>(36,437)</u>	<u>(12,164)</u>	<u>(1,250)</u>	<u>(49,851)</u>	<u>(6,183)</u>
CHANGE IN NET ASSETS	63,860	9,370	993	74,223	(77,337)
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>3,768,472</u>	<u>2,217,594</u>	<u>107,156</u>		<u>573,330</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$3,832,332</u>	<u>\$2,226,964</u>	<u>\$ 108,149</u>		<u>\$ 495,993</u>
<i>Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.</i>				<u>(5,864)</u>	
Change in net assets of business-type activities				<u>\$ 68,359</u>	

See notes to the financial statements

City of Plainwell
STATEMENT OF CASH FLOWS - Proprietary Funds
Year ended June 30, 2004

	Business-type Activities - Enterprise Funds				Governmental Activities
	Major		Nonmajor	Totals	Internal Service
	Sewer	Water	Airport		
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 949,557	\$ 409,020	\$ 52,049	\$ 1,410,626	\$ -
Receipts from interfund services provided	-	-	-	-	159,372
Payments to suppliers	(434,748)	(130,386)	(35,438)	(600,572)	(108,129)
Payments to employees	(198,157)	(105,889)	(4,479)	(308,525)	(57,445)
Internal activity - payments to other funds	(6,415)	(9,340)	(190)	(15,945)	-
<i>Net cash provided by (used in) operating activities</i>	<u>310,237</u>	<u>163,405</u>	<u>11,942</u>	<u>485,584</u>	<u>(6,202)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers out	(36,437)	(12,164)	(1,250)	(49,851)	(6,183)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(382,909)	-	(17,716)	(400,625)	(44,931)
Principal paid on capital debt	-	(65,000)	-	(65,000)	-
Interest paid on capital debt	-	(32,094)	-	(32,094)	-
<i>Net cash used in capital and related financing activities</i>	<u>(382,909)</u>	<u>(97,094)</u>	<u>(17,716)</u>	<u>(497,719)</u>	<u>(44,931)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	12,182	5,129	278	17,589	4,457
NET INCREASE (DECREASE) IN CASH	(96,927)	59,276	(6,746)	(44,397)	(52,859)
CASH - BEGINNING OF THE YEAR	<u>1,049,066</u>	<u>411,316</u>	<u>31,904</u>	<u>1,492,286</u>	<u>374,640</u>
CASH - END OF YEAR	<u>\$ 952,139</u>	<u>\$ 470,592</u>	<u>\$ 25,158</u>	<u>\$ 1,447,889</u>	<u>\$ 321,781</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 48,149	\$ 21,855	\$ 1,965	\$ 71,969	\$ (58,609)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	258,447	112,556	7,385	378,388	54,306
Changes in assets and liabilities:					
Receivables	(6,180)	18,278	(1,111)	10,987	-
Prepaid insurance	4,743	2,975	76	7,794	1,609
Accounts payable	5,078	7,335	3,627	16,040	(3,508)
Accrued expenses	-	406	-	406	-
<i>Net cash provided by (used in) operating activities</i>	<u>\$ 310,237</u>	<u>\$ 163,405</u>	<u>\$ 11,942</u>	<u>\$ 485,584</u>	<u>\$ (6,202)</u>

See notes to the financial statements

City of Plainwell

STATEMENT OF FIDUCIARY NET ASSETS - Agency Fund

June 30, 2004

ASSETS

Cash	\$ 82,880
Due from other governmental units	<u>230,638</u>
<i>Total assets</i>	<u><u>\$ 313,518</u></u>

LIABILITIES

Due to other governmental units	\$ 282,812
Due to others	<u>30,706</u>
<i>Total liabilities</i>	<u><u>\$ 313,518</u></u>

See notes to the financial statements

City of Plainwell
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the City of Plainwell, Michigan (the City), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally from the City.

Blended component unit - Plainwell Building Authority:

This unit is governed by a separate board appointed by the City Council. Although it is legally separate, the Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct City facilities.

Discretely-presented component unit - Plainwell Tax Incremental Financing Authority:

This unit is presented in a separate column in the financial statements to emphasize that it is legally separate from the City. Separate financial statements of the component unit have not been issued, as management believes these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of the component unit. The component unit's governing body is appointed by the City Council and its budget must be approved by the City Council.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Major Street Fund accounts for state gas and weight tax revenues that are restricted for expenditures related to maintaining and improving the City's major streets.

The City reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the City's sewage collection systems and treatment plant.

The Water Fund accounts for the activities of the City's water distribution system.

Additionally, the City reports an internal service fund that accounts for vehicle and equipment management services provided to other departments of the City on a cost-reimbursement basis.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues includes all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the City considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

City of Plainwell
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity(continued):

iv) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The City has elected to use the prospective method of accounting for infrastructure assets whereby it will capitalize its infrastructure assets beginning July 1, 2003, as permitted by GASB No. 34.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Equipment	3 - 20 years
Vehicles	4 - 20 years
Sewer and Water systems	50 years

v) Compensated absences (vacation and sick leave) - It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for unpaid accumulated vacation and sick leave has been recorded for the portion due to employees upon separation from service with the City. Vested compensated absences are accrued when earned in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

vi) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vii) Property tax revenue recognition:

Property taxes are levied as of July 1 on property values assessed as of December 31 of the prior year. The billings are due on or before August 15, after which time the bill becomes delinquent and penalties and interest may be assessed by the City. Property tax revenue is recognized in the year for which taxes have been levied and become available. The City levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

City of Plainwell
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the functional level. All annual appropriations lapse at the end of the fiscal year.

NOTE 3 - DEPOSITS:

The City's deposits, as presented in the government-wide statement of net assets are as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary</u>	<u>Total Primary government</u>	<u>Component unit</u>
Cash	\$2,379,359	\$1,447,889	\$82,880	\$3,910,128	\$221,218

Deposits are carried at cost and are maintained at various financial institutions in the name of the City. State statutes and the City's investment policy authorize the City to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The City's deposits are in accordance with statutory authority. At June 30, 2004, the City and its component unit have deposits with a carrying amount of \$4,131,346 and a bank balance of \$4,234,137. Of the bank balance \$230,706 is covered by federal depository insurance and \$4,003,431 is uninsured. The City maintains individual and pooled cash accounts for all of its funds and its component unit. Due to use of pooled deposits, it is not practicable to allocate insured and uninsured portions of certain bank balances between the primary government and its component unit. The insured portion of the bank balance has been allocated entirely to the primary government.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the government's individual major and nonmajor funds, in the aggregate, are as follows:

	<u>General</u>	<u>Major Street</u>	<u>Sewer</u>	<u>Water</u>	<u>Business type</u>	<u>Nonmajor: Government type</u>	<u>Totals</u>
Accounts	\$ 22,433	\$ -	\$82,667	\$30,413	\$1,111	\$ -	\$136,624
Intergovernmental	150,019	33,359	-	-	-	12,434	195,812
Taxes	<u>4,207</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,207</u>
Total	<u>\$176,659</u>	<u>\$33,359</u>	<u>\$82,667</u>	<u>\$30,413</u>	<u>\$1,111</u>	<u>\$12,434</u>	<u>\$336,643</u>

All receivables are due within one year and are considered fully collectible.

City of Plainwell
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2004 was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
<i>Governmental activities:</i>				
Capital assets not being depreciated - land	\$ <u>250,581</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>250,581</u>
Capital assets being depreciated:				
Land improvements	852,210	-	-	852,210
Buildings	741,525	-	-	741,525
Equipment and vehicles	<u>1,820,258</u>	<u>50,430</u>	<u>(210,192)</u>	<u>1,660,496</u>
Subtotal	<u>3,413,993</u>	<u>50,430</u>	<u>(210,192)</u>	<u>3,254,231</u>
Less accumulated depreciation for:				
Land improvements	(332,505)	(32,787)	-	(365,292)
Buildings	(309,506)	(19,391)	-	(328,897)
Equipment and vehicles	<u>(1,248,873)</u>	<u>(113,936)</u>	<u>193,194</u>	<u>(1,169,615)</u>
Subtotal	<u>(1,890,884)</u>	<u>(166,114)</u>	<u>193,194</u>	<u>(1,863,804)</u>
Net capital assets being depreciated	<u>1,523,109</u>	<u>(115,684)</u>	<u>(16,998)</u>	<u>1,390,427</u>
Total governmental capital assets, net	\$ <u>1,773,690</u>	\$ <u>(115,684)</u>	\$ <u>(16,998)</u>	\$ <u>1,641,008</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated - land	\$ <u>48,196</u>	<u>-</u>	\$ <u>-</u>	\$ <u>48,196</u>
Capital assets being depreciated:				
Sewer system	6,783,103	422,875	-	7,205,978
Water system	4,309,043	26,644	-	4,335,687
Airport	<u>135,258</u>	<u>17,716</u>	<u>-</u>	<u>152,974</u>
Subtotal	<u>11,227,404</u>	<u>467,235</u>	<u>-</u>	<u>11,694,639</u>
Less accumulated depreciation for:				
Sewer system	(4,068,805)	(258,447)	-	(4,327,252)
Water system	(1,253,629)	(112,556)	-	(1,366,185)
Airport	<u>(90,277)</u>	<u>(7,385)</u>	<u>-</u>	<u>(97,662)</u>
Subtotal	<u>(5,412,711)</u>	<u>(378,388)</u>	<u>-</u>	<u>(5,791,099)</u>

City of Plainwell
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

Capital asset activity for the year ended June 30, 2004 was as follows (*continued*):

Net capital assets being depreciated	<u>\$5,814,693</u>	<u>\$ 88,847</u>	<u>\$ -</u>	<u>\$ 5,903,540</u>
Total capital assets, net	<u>\$5,862,889</u>	<u>\$ 88,847</u>	<u>\$ -</u>	<u>\$ 5,951,736</u>

Depreciation expense was charged to functions of the City as follows:

<i>Governmental activities:</i>	
General government	\$25,195
Public safety	40,408
Public works	2,018
Culture and recreation	44,187
Depreciation on capital assets held by internal service fund	<u>54,306</u>
Total governmental activities	<u>\$166,114</u>
<i>Business-type activities:</i>	
Sewer	\$258,447
Water	112,556
Airport	<u>7,385</u>
Total business-type activities	<u>\$378,388</u>

NOTE 6 - NONCURRENT LIABILITIES:

Noncurrent liabilities at June 30, 2004, are comprised of the following individual issues:

<i>Governmental activities:</i>	
Accrued compensated absences	\$ 93,904
<i>Enterprise funds:</i>	
\$1,570,000 1999 Water Supply System bonds - payable in annual installments ranging from \$65,000 to \$90,000, plus interest at 2.5%; final payment due October 2019	<u>1,235,000</u>
Total noncurrent liabilities	<u>\$1,328,904</u>

City of Plainwell
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - NONCURRENT LIABILITIES (Continued):

a) *Noncurrent liability activity for the year ended June 30, 2004, was as follows:*

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
<i>Governmental activities:</i>					
1997 Local street bonds	\$ 50,000	\$ -	\$(50,000)	\$ -	\$ -
<i>Business-type activities:</i>					
1999 Revenue bonds	<u>1,300,000</u>	<u>-</u>	<u>(65,000)</u>	<u>1,235,000</u>	<u>65,000</u>
Total bonds payable	1,350,000	-	(115,000)	1,235,000	65,000
Compensated absences	<u>92,279</u>	<u>125,350</u>	<u>(123,725)</u>	<u>93,904</u>	<u>-</u>
Total noncurrent liabilities	<u>\$1,442,279</u>	<u>\$125,350</u>	<u>\$(238,725)</u>	<u>\$1,328,904</u>	<u>\$65,000</u>

b) *At June 30, 2004, debt service requirements, except compensated absences, were as follows:*

Year ended June 30:	<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 65,000	\$ 30,063
2006	65,000	28,438
2007	65,000	26,812
2008	70,000	25,125
2009	70,000	23,375
2010 - 2014	380,000	89,375
2015 - 2019	430,000	38,750
2020	<u>90,000</u>	<u>1,125</u>
Totals	<u>\$1,235,000</u>	<u>\$263,063</u>

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

At June 30, 2004, the composition of interfund balances is as follows:

<u>Fund</u>	<u>Interfund receivables</u>	<u>Fund</u>	<u>Interfund payables</u>
General	<u>\$11,842</u>	Debt Service	<u>\$11,842</u>

This amount represents a residual equity transfer that will close the debt service fund.

City of Plainwell
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued):

A summary of interfund transfers for the year ended June 30, 2004, is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
General	\$ <u>83,026</u>	Major Street	\$ 5,745
		Sewer	36,437
		Water	12,164
		Nonmajor governmental funds	21,247
		Nonmajor business-type fund	1,250
		Internal service fund	<u>6,183</u>
			<u>83,026</u>
Nonmajor governmental fund	<u>40,000</u>	Major Street	<u>40,000</u>
Total transfers	<u>\$123,026</u>		<u>\$123,026</u>

The transfers to the General Fund represent unrestricted revenues collected in the other funds to finance programs accounted for in General Fund in accordance with budgetary authorizations.

In 2004, a transfer was used to move available unrestricted funds from the Major Street Fund to a nonmajor governmental fund to finance local street costs.

The Plainwell Tax Increment Finance Authority, a component unit, also transferred \$12,979 to the General Fund to assist in the financing of a program accounted for in the General Fund.

NOTE 8 - RISK MANAGEMENT:

The City is exposed to various risks of loss to general liability, property and casualty, workers' compensation, and employee health and medical claims. The risks of loss arising from general liability up to \$3,000,000, building contents, workers' compensation, employee medical, and casualty are managed through purchased commercial insurance. For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

City of Plainwell
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - RETIREMENT PLAN:

The City provides pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The City contributes 9% of each qualified employee's base salary to the plan. The City's contributions are fully vested immediately. The City is not a trustee of the plan, nor is the City responsible for investment management of plan assets.

The City and employees made the required contributions of \$137,830 and \$119,393, respectively.

NOTE 10 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended June 30, 2004, follows:

Permit revenues	\$ 14,065
Inspection expenses	<u>(11,738)</u>
Excess of revenues over expenses	<u>\$ 2,327</u>

NOTE 11 - CONSTRUCTION COMMITMENT:

At June 30, 2004, the City had authorized contracts totaling \$426,000 for the Gladys/Brigham Street project. The City had expended \$73,000 on the project through June 30, 2004, leaving a commitment in the amount of \$353,000. The project is being funded by available resources within the Major Street, Local Street, Water, and Sewer funds.

At June 30, 2004, the City had authorized contracts totaling \$1,784,000 for improvements to the wastewater treatment plant. The project will be funded by available resources within the Sewer Fund.

NOTE 12 - CONTINGENCY:

The Tax Increment Finance Authority, a component unit of the City, has adopted a tax increment financing plan that allows the Authority to expend tax increment revenues for purposes of furthering the development program contemplated in the financing plan. At June 30, 2004, the Authority's fund balance is \$220,685. The Authority intends to use the available fund balance to complete the development program. However, any funds remaining after completion of the development program shall revert proportionately to the respective taxing entities, including the City, from which the tax increment revenues were derived.

City of Plainwell
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 13 - CHANGE IN ACCOUNTING PRINCIPLES:

Effective July 1, 2003, the City implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, along with all related statements and interpretations. In connection with the implementation of this statement, the following adjustments to beginning net assets have been made to reflect the cumulative effect of this accounting change in the governmental funds:

Net assets, as previously reported (General, special revenue, and debt service funds)	\$1,884,887
Capitalization of capital assets, net of accumulated depreciation, not previously reported	1,566,311
Net assets of the internal service fund are included in governmental activities in the statement of net assets	573,330
Accrual of compensated absences, a noncurrent liability	(92,279)
Bonds payable, that were previously reported in the General Long-term Debt Account Group	<u>(50,000)</u>
Net assets, as restated	<u>\$3,882,249</u>

REQUIRED SUPPLEMENTARY INFORMATION

City of Plainwell
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance favorable (unfavorable)
REVENUES				
Taxes	\$ 1,062,250	\$ 1,062,250	\$ 1,058,849	\$ (3,401)
Licenses and permits	22,000	22,000	40,364	18,364
Federal grant	-	-	10,040	10,040
State grants	460,000	460,000	436,034	(23,966)
Fines and forfeitures	6,000	6,000	10,526	4,526
Contribution from local unit - school	30,900	30,900	54,273	23,373
Interest	34,360	34,360	9,961	(24,399)
Other	23,300	23,300	19,614	(3,686)
<i>Total revenues</i>	<u>1,638,810</u>	<u>1,638,810</u>	<u>1,639,661</u>	<u>851</u>
EXPENDITURES				
Legislative - City Council	<u>9,155</u>	<u>9,155</u>	<u>9,150</u>	<u>5</u>
General government:				
Elections	5,084	5,084	3,970	1,114
Administration	255,111	241,111	226,924	14,187
Assessor	18,785	21,985	21,151	834
Building and grounds	78,703	96,703	95,344	1,359
Community promotion	1,850	1,850	1,880	(30)
<i>Total general government</i>	<u>359,533</u>	<u>366,733</u>	<u>349,269</u>	<u>17,464</u>
Public safety:				
Department of Public Safety	933,964	926,264	903,356	22,908
Protective inspections	<u>21,000</u>	<u>21,000</u>	<u>11,738</u>	<u>9,262</u>
<i>Total public safety</i>	<u>954,964</u>	<u>947,264</u>	<u>915,094</u>	<u>32,170</u>
Public works:				
Department of Public Works	76,523	70,523	68,716	1,807
Street lighting	<u>29,100</u>	<u>29,100</u>	<u>29,134</u>	<u>(34)</u>
<i>Total public works</i>	<u>105,623</u>	<u>99,623</u>	<u>97,850</u>	<u>1,773</u>
Community and economic development:				
Planning Commission	<u>22,066</u>	<u>22,066</u>	<u>19,236</u>	<u>2,830</u>

City of Plainwell

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Culture and recreation:				
Parks	\$ 113,519	\$ 113,519	\$ 106,802	\$ 6,717
Flowers and beautification	16,601	22,101	14,244	7,857
Special events	15,603	15,603	13,136	2,467
Forestry	8,670	8,670	6,019	2,651
School recreation	5,520	5,520	5,520	-
<i>Total culture and recreation</i>	<u>159,913</u>	<u>165,413</u>	<u>145,721</u>	<u>19,692</u>
Capital outlay	<u>3,600</u>	<u>4,600</u>	<u>11,635</u>	<u>(7,035)</u>
<i>Total expenditures</i>	<u>1,614,854</u>	<u>1,614,854</u>	<u>1,547,955</u>	<u>66,899</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>23,956</u>	<u>23,956</u>	<u>91,706</u>	<u>67,750</u>
OTHER FINANCING SOURCES				
Transfers from other funds	71,184	71,184	83,026	11,842
Transfer from component unit	<u>12,979</u>	<u>12,979</u>	<u>12,979</u>	<u>-</u>
<i>Total other financing sources</i>	<u>84,163</u>	<u>84,163</u>	<u>96,005</u>	<u>11,842</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	<u>108,119</u>	<u>108,119</u>	<u>187,711</u>	<u>79,592</u>
FUND BALANCE - BEGINNING OF YEAR	<u>531,913</u>	<u>531,913</u>	<u>531,913</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 640,032</u>	<u>\$ 640,032</u>	<u>\$ 719,624</u>	<u>\$ 79,592</u>

City of Plainwell
BUDGETARY COMPARISON SCHEDULE - Major Street Fund
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
State grants	\$ 180,000	\$ 180,000	\$ 196,484	\$ 16,484
Intergovernmental	10,000	10,000	10,359	359
Interest	8,000	8,000	6,304	(1,696)
Other	8,000	8,000	6,234	(1,766)
<i>Total revenues</i>	<u>206,000</u>	<u>206,000</u>	<u>219,381</u>	<u>13,381</u>
EXPENDITURES				
Public works:				
Routine maintenance	130,441	198,204	168,652	29,552
Bridge maintenance	15,000	21,000	22,727	(1,727)
Traffic services	12,551	15,351	16,409	(1,058)
Winter maintenance	30,994	30,994	24,707	6,287
Administration	11,269	11,269	6,147	5,122
<i>Total expenditures</i>	<u>200,255</u>	<u>276,818</u>	<u>238,642</u>	<u>38,176</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>5,745</u>	<u>(70,818)</u>	<u>(19,261)</u>	<u>51,557</u>
OTHER FINANCING USES				
Transfer out - Local Street Fund	(40,000)	(40,000)	(40,000)	-
Transfer out - General Fund	(5,745)	(5,745)	(5,745)	-
<i>Total financing uses</i>	<u>(45,745)</u>	<u>(45,745)</u>	<u>(45,745)</u>	<u>-</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES AND OTHER USES	<u>(40,000)</u>	<u>(116,563)</u>	<u>(65,006)</u>	<u>51,557</u>
FUND BALANCE - BEGINNING OF YEAR	<u>523,683</u>	<u>523,683</u>	<u>523,683</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 483,683</u>	<u>\$ 407,120</u>	<u>\$ 458,677</u>	<u>\$ 51,557</u>

SUPPLEMENTARY INFORMATION

City of Plainwell
COMBINING BALANCE SHEET - Nonmajor governmental funds
June 30, 2004

	<u>Special Revenue</u>			
	<u>Local Street</u>	<u>Solid Waste Removal</u>	<u>Capital Reserve</u>	<u>Capital Improvement</u>
ASSETS				
Cash	\$ 112,330	\$ 94,952	\$ 332,996	\$ 472,397
Due from other governmental units	<u>12,434</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total assets</i>	<u>\$ 124,764</u>	<u>\$ 94,952</u>	<u>\$ 332,996</u>	<u>\$ 472,397</u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable	\$ 19,576	\$ 971	\$ -	\$ -
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities</i>	<u>19,576</u>	<u>971</u>	<u>-</u>	<u>-</u>
Fund balances:				
Unreserved:				
Designated for capital acquisitions	-	-	332,996	472,397
Undesignated	<u>105,188</u>	<u>93,981</u>	<u>-</u>	<u>-</u>
<i>Total fund balances</i>	<u>105,188</u>	<u>93,981</u>	<u>332,996</u>	<u>472,397</u>
<i>Total liabilities and fund balances</i>	<u>\$ 124,764</u>	<u>\$ 94,952</u>	<u>\$ 332,996</u>	<u>\$ 472,397</u>

<u>Debt Service</u>	<u>Total nonmajor governmental funds</u>
<u>Jersey Street</u>	
\$ 11,842	\$ 1,024,517
-	12,434
<u>\$ 11,842</u>	<u>\$ 1,036,951</u>
\$ -	\$ 20,547
11,842	11,842
<u>11,842</u>	<u>32,389</u>
-	805,393
-	199,169
<u>-</u>	<u>1,004,562</u>
<u>\$ 11,842</u>	<u>\$ 1,036,951</u>

City of Plainwell

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - Nonmajor governmental funds**

Year ended June 30, 2004

	Special Revenue			
	Local Street	Solid Waste Removal	Capital Reserve	Capital Improvement
REVENUES				
Property taxes	\$ -	\$ 152,414	\$ 78,159	\$ 78,159
State grants	73,160	-	-	-
Intergovernmental	68,559	-	-	-
Interest	537	1,491	3,670	5,282
Other	6,124	6,989	-	-
<i>Total revenues</i>	<u>148,380</u>	<u>160,894</u>	<u>81,829</u>	<u>83,441</u>
EXPENDITURES				
General government	-	-	201	201
Public works	126,409	134,417	-	-
Debt service:				
Principal	50,000	-	-	-
Interest and fiscal charges	1,137	-	-	-
Capital outlay	-	-	5,661	-
<i>Total expenditures</i>	<u>177,546</u>	<u>134,417</u>	<u>5,862</u>	<u>201</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(29,166)</u>	<u>26,477</u>	<u>75,967</u>	<u>83,240</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	40,000	-	-	-
Transfers out	(5,045)	(4,360)	-	-
<i>Total other financing sources (uses)</i>	<u>34,955</u>	<u>(4,360)</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>5,789</u>	<u>22,117</u>	<u>75,967</u>	<u>83,240</u>
FUND BALANCE - BEGINNING OF YEAR	<u>99,399</u>	<u>71,864</u>	<u>257,029</u>	<u>389,157</u>
FUND BALANCE - END OF YEAR	<u>\$ 105,188</u>	<u>\$ 93,981</u>	<u>\$ 332,996</u>	<u>\$ 472,397</u>

<u>Debt Service</u>	<u>Total nonmajor governmental funds</u>
<u>Jersey Street</u>	
\$ -	\$ 308,732
-	73,160
-	68,559
-	10,980
-	13,113
-	474,544
-	402
-	260,826
-	50,000
-	1,137
-	5,661
-	318,026
-	156,518
-	40,000
(11,842)	(21,247)
(11,842)	18,753
(11,842)	175,271
11,842	829,291
\$ -	\$ 1,004,562

OTHER SUPPLEMENTARY DATA

City of Plainwell**SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -
\$1,570,000 1999 WATER SUPPLY SYSTEM BONDS**

June 30, 2004

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>October 1</i>	<i>April 1</i>			
2005	\$ 15,438	\$ 14,625	10/01/04	\$ 65,000	\$ 95,063
2006	14,625	13,813	10/01/05	65,000	93,438
2007	13,812	13,000	10/01/06	65,000	91,812
2008	13,000	12,125	10/01/07	70,000	95,125
2009	12,125	11,250	10/01/08	70,000	93,375
2010	11,250	10,375	10/01/09	70,000	91,625
2011	10,375	9,438	10/01/10	75,000	94,813
2012	9,437	8,500	10/01/11	75,000	92,937
2013	8,500	7,500	10/01/12	80,000	96,000
2014	7,500	6,500	10/01/13	80,000	94,000
2015	6,500	5,500	10/01/14	80,000	92,000
2016	5,500	4,438	10/01/15	85,000	94,938
2017	4,437	3,375	10/01/16	85,000	92,812
2018	3,375	2,250	10/01/17	90,000	95,625
2019	2,250	1,125	10/01/18	90,000	93,375
2020	1,125	-	10/01/19	90,000	91,125
	<u>\$ 139,249</u>	<u>\$ 123,814</u>		<u>\$ 1,235,000</u>	<u>\$ 1,498,063</u>